

**WATER DISTRICT NO. 1
OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Annual Financial Report

June 30, 2007 and 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/10/07



STAGNI & COMPANY, LLC

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA
Annual Financial Report
June 30, 2007 and 2006**

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**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007 and 2006**

Water District No. 1 of the Parish of Lafourche, State of Louisiana (the District) is presenting the following discussion and analysis in order to provide an overall review of the financial activities for the fiscal years ending June 30, 2007 and 2006. We encourage readers to consider the information presented here in conjunction with the District's financial statements and notes to the basic financial statements in order to enhance their understanding of the financial performance.

2007 FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations:

- The District's total assets increased \$14,707,280 and total liabilities increased \$9,335,776, resulting in total net assets increasing \$5,371,504 or 11.5% from the prior year.
- The District's operating revenues increased \$1,151,275 or 11.4% from the prior year.
- The District's operating expenses increased by \$397,627 or 4.7% from the prior year.
- Investment income increased by \$335,300 and almost doubled due to the timing and the increased interest rates of some of the investments that matured during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of four parts: Management's Discussion and Analysis, the Financial Section, Required Supplementary Information, and Other Supplemental Schedules. The Financial Section also includes notes that explain in more detail some of the information in the financial statements.

The *Basic Financial Statements* - Comparative Statement of Net Assets, the Comparative Statement of Revenues, Expenses and Net Assets and the Comparative Statement of Cash Flows provide both long-term and short-term information about the overall financial status. The Comparative Statement of Net Assets includes all assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial statement reports net assets and how they have changed. Net assets – the difference between assets and liabilities – are one way to measure financial health, or position. Over time, increases or decreases in net assets are an indicator of whether its financial health is improving or deteriorating, respectively. The Comparative Statement of Net Assets also provides the basis for computing rate of return, evaluating the capital structure and assessing liquidity and financial flexibility.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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MANAGEMENT'S DISCUSSION AND ANALYSIS
*For the Year Ended June 30, 2007 and 2006***

All of the current year's revenue and expenses are accounted for in the Comparative Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of operations over the past year and can be used to determine whether operations have successfully recovered all its costs through user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Comparative Statement of Cash Flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting for operations, investing and financing activities and provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in cash balance during the reporting period.

Our auditor has provided assurance in the Independent Auditor's Report, located immediately following this MD&A, that the Basic Financial Statements are fairly stated. The auditor regarding the Required Supplemental Information and the Other Supplemental Schedules is providing varying degrees of assurance. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Annual Financial Report.

The Lafourche Parish Water District utilizes a proprietary fund type – and enterprise fund for reporting. When the Water District charges customers for the services it provides—whether to residential or commercial customers—these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Water District's enterprise fund is the same as a business-type entity.

FINANCIAL ANALYSIS

The Statements of Net Assets includes all of the assets and liabilities and provides information about the nature and amount of investments in resources and the obligations to creditors. This statement provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the District.

To begin our analysis, a condensed summary of the Comparative Statement of Net Assets is presented in Table A-1.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007 and 2006

Table A-1
Condensed Statement of Net Assets
(In millions of dollars)

	FY 2007	FY 2006	Dollar Change	Total Percent Change
Current Assets	\$ 12.3	\$ 11.4	\$ 0.9	7.9%
Restricted Assets	17.3	9.8	7.5	76.5%
Capital Assets	55.2	48.9	6.3	12.9%
Total Assets	84.8	70.1	14.7	21.0%
Current Liabilities	4.1	3.3	0.8	24.2%
Long Term Liabilities	28.4	19.9	8.5	42.7%
Total Liabilities	32.5	23.2	9.3	40.1%
Invested in Capital Assets, Net of Related Debt	37.8	33.2	4.6	13.9%
Restricted	4.2	4.1	0.1	2.4%
Unrestricted	10.3	9.6	0.7	7.3%
Total Net Assets	\$ 52.3	\$ 46.9	\$ 5.4	11.5%

Net assets increased \$5.4 million to \$52.3 million from \$46.9 million in the prior year. Restricted Net Assets (those established by debt covenants, enabling legislation, or other legal requirements) remained relatively stable. Unrestricted Net Assets increased by approximately \$700,000 to \$10.3 million. The Net Assets invested in Capital increased by \$4.6 million absorbing most of the positive change in net assets.

A condensed summary of the Comparative Statement of Revenues, Expenses and Changes in Net Assets is presented in Table A-2.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007 and 2006

Table A-2
Condensed Statements of Revenues, Expenses and Changes in Net Assets
(In millions of dollars)

	<u>FY 2007</u>	<u>FY 2006</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Operating Revenues	\$ 11.7	\$ 10.5	\$ 1.2	11.4%
Non-operating Revenues	2.4	2.0	0.4	20.0%
Total Revenues	14.1	12.5	1.6	12.8%
Depreciation Expense	2.3	2.2	0.1	4.5%
Other Operating Expenses	6.6	6.3	0.3	4.8%
Non-operating Expenses	0.9	0.7	0.2	28.6%
Total Expenses	9.8	9.2	0.6	6.5%
Income before Capital Contributions	4.3	3.3	1.0	30.3%
Capital Contributions	1.1	0.3	0.8	266.7%
Change in Net Assets	5.4	3.6	1.8	50.0%
Beginning Net Assets	46.9	43.3	3.6	8.3%
Ending Net Assets	\$ 52.3	\$ 46.9	\$ 5.4	11.5%

A large increase in Operating Revenues was the primary source of the \$1.8 million increase in net assets. A closer examination of the changes in net assets reveals that total revenues increased by \$1.6 million to \$14.1 million from \$12.5 million. This increase, mainly in operating revenues, was due to increased sales to metered customers. However, costs of operations also increased by \$.6 million to \$9.8 million from \$9.2 million. This slight increase was primarily from the increase in operating expenses associated with increased revenues.

BUDGETARY HIGHLIGHTS

As required by its bond covenants, the District adopts an Operating and Capital Works Budget no later than June 30th of each year. The budget remains in effect the entire year unless it is revised.

A budget comparison and analysis is presented to the Board in monthly interim financial statements. The adopted budget was not revised. A comparison of budget and actual is presented in Table A-3.

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STATE OF LOUISIANA**
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007 and 2006

Table A-3
Condensed Comparison of Budget and Actual
(In millions of dollars)

	Budget	FY 2007	Dollar Variance	Total Percent Variance
Operating Revenues	\$ 10.3	\$ 11.7	\$ 1.4	13.6%
Non-operating Revenues	3.2	2.4	(0.8)	-25.0%
Total Revenues	13.5	14.1	0.6	4.4%
Other Operating Expenses	6.6	6.6	-	0.0%
Depreciation	2.1	2.3	(0.2)	-9.5%
Non-operating Expenses	0.9	0.9	-	0.0%
Total Expenses	9.6	9.8	(0.2)	-2.1%
Income before Capital Contributions	3.9	4.3	0.4	10.3%
Capital Contributions	-	1.1	1.1	100.0%
Change in Net Assets	3.9	5.4	1.5	38.5%
Beginning Net Assets	40.1	46.9	6.8	17.0%
Ending Net Assets	\$ 44.0	\$ 52.3	\$ 8.3	18.9%

Budget variance explanations:

- Operating revenues varied due to an increase in residential sales that was not anticipated.
- Non-operating revenues varied due to recoveries and DOTD reimbursements budgeted but not received in the current year.
- Total expenses varied relative to adjustment for the unexpected increase in revenues.

CAPITAL ASSETS

At the end of 2007, the Water District had \$55.2 million invested in a broad range of capital assets as summarized in Table 4 below. This amount represents a net increase (including additions and deductions) of \$6.3 million, or 12.9 percent, over last year.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007 and 2006**

Table A-4
Summary of Capital Assets

	2005	2006	2007
Land and Right of Ways	\$ 952,583	\$ 952,583	\$ 952,583
Construction in Progress	2,219,081	5,903,944	10,880,694
Water Plant & Building	18,132,568	19,524,568	20,262,228
Transmission & Distribution	59,289,658	60,386,702	62,994,162
Distribution Equipment	589,612	679,491	759,186
Administration Buildings	542,167	542,167	542,167
Furniture & Equipment	301,555	318,609	319,013
Transportation Equipment	457,452	471,491	483,424
Total Cost of Assets	82,484,676	88,779,555	97,193,457
Accumulated Depreciation	<u>(37,755,099)</u>	<u>(39,902,287)</u>	<u>(42,034,255)</u>
Total Capital Assets, Net	<u>\$44,729,577</u>	<u>\$48,877,268</u>	<u>\$ 55,159,202</u>
 Depreciation Expense	 <u>\$ 2,103,615</u>	 <u>\$ 2,196,253</u>	 <u>\$ 2,286,399</u>

During this year there was \$12 million of additions, including \$3 million of Construction in Progress and \$117,358 of disposals plus depreciation, reflecting a net increase of \$6.3 million in capital assets at historical cost.

This year's major capital additions included:

- Cumberland Estates S/D Addendum #1 \$ 122,800
- Generators for the North Plant \$ 275,952
- South Plant Window Replacement \$ 128,421
- Raw Water Pump Station Upgrade \$ 108,952
- Waterline Ext. Along North Expansion \$ 255,219
- Marydale Waterline Improvements \$ 693,087
- Waterline Replacement E48th, et. al. \$ 727,264

Additional detailed information about capital assets is presented in Note 6 to the financial statements.

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For the Year Ended June 30, 2007 and 2006**

DEBT ADMINISTRATION

At year-end, the Water District had \$30.8 million in bonds outstanding compared to \$22.0 million in the prior year—an increase of 40.3 percent—as shown in Table 5.

	Table A-5 Outstanding Debt		
	2005	2006	2007
Water Revenue Bonds:			
\$10,000,000 dated 10/1/1996	\$ 920,000	\$ 475,000	\$ -
\$10,000,000 dated 1/1/2002	9,090,000	8,755,000	8,400,000
\$6,000,000 dated 5/1/2003	5,690,000	5,490,000	5,280,000
\$7,330,000 dated 10/28/2004	7,330,000	7,265,000	7,160,000
\$10,000,000 dated 12/1/2006	-	-	10,000,000
Total outstanding	<u>\$23,030,000</u>	<u>\$21,985,000</u>	<u>\$30,840,000</u>

On December 1, 2006, the Water District issued Ten Million Dollars (\$10,000,000) in Water Revenue Bonds to finance major capital improvements. More detailed information about long-term debt is presented in Note 7 to the financial statements.

Bond Ratings

Outstanding bonds carry the following ratings:

- 2002 bonds are A3 rated (not insured) from Moody's
- 2003 bonds are Aaa rated (insured) from Moody's
- 2004 bonds are AAA rated (insured) from XL Capital
- 2006 bonds are AAA rated (insured) from CIFG

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the fiscal year 2008, it is estimated that the District:

- Will serve an average of 30,215 customers; an increase of 344 over the average customers served for the twelve-month period ended March 31, 2007
- Will generate water sales in the amount of 3,505,679 M gallons, a decrease of 92,572 M gallons compared to the twelve-month period ending March 31, 2007
- Resulting water service revenues are estimated to amount to \$10,953,555, which would be \$141,864 less than the March 31st twelve-month period of \$11,095,419

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- It is estimated that we will collect \$468,000 for connection charges and penalties for late payment of bills, or about \$248,275 less than the level of the comparison year, which will result in total revenues of \$11,421,555, down by \$390,139 or 3.3 percent.

Table A-6
June 30, 2008 Summary of Projected Budget

Water Service Revenue	\$ 10,953,555
Other Operating Revenue	468,000
Total Operating Revenue	11,421,555
Operating Expenses	(8,887,583)
Net Operating Revenue	4,683,972
Other Income	2,327,956
Other Expenses	(1,317,897)
Net Income	<u>\$ 3,544,031</u>

Historically, a substantial portion of the District's income has been derived from a maintenance and operating tax levied. By election on November 2, 2004 the voters approved to continue a tax of 3.81 mills per annum. For the fiscal year 2007, the Board of Commissioners approved a 3.81 mill levy on for operating and maintenance purposes, and such levy has been used for budget purposes for the 2008 fiscal year.

The District's capital expenditures budget for fiscal year 2008 provides for total expenses of \$21,588,350 including \$14,818,100 of new construction projects. Some of the most significant projects are as follows:

• Four projects at South Plant	\$3,660,000
• Three projects at North Plant	\$3,800,000
• North Bayou Blue 300,000 Gallon Tank	\$ 570,000
• Waterline projects on the North System	\$ 192,500
• Waterline projects on the South System	\$6,485,000
• Waterline replacement projects	\$ 418,500
• Water line replacements for 05/06	\$ 882,500
• Water line replacements for 06/07	\$1,165,000
• Water line replacements for 07/08	\$1,500,000

In summary, the proposed budget indicates that the District will not only meet cash requirements but will also have fund balances as required by the outstanding bond resolutions.

***WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007 and 2006***

CONTACTING MANAGEMENT

This Annual Financial Report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of our finances and to demonstrate accountability for the money we receive. If you have questions about this report or need additional financial information, contact:

Mona Zeringue, Office Manager,
P.O. Box 399, Lockport, LA 70374,
1-800-344-1580

FINANCIAL SECTION



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Water District No. 1 of the Parish of Lafourche
State of Louisiana

We have audited the accompanying financial statements of the business type activities of the Water District No. 1, of the Parish of Lafourche, State of Louisiana, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2006 and 2007, which comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of Water District No. 1's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Water District No. 1 as of June 30, 2006 and 2007, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Commissioners
Water District No. 1 of the Parish of Lafourche
State of Louisiana
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In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2007 on our consideration of Water District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and Other Required Supplemental information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole that collectively comprise the Water District's basic financial statements. The Other Supplemental Schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Water District No. 1. Such information, except for the schedule of Metered Water Customers and the Schedule of Insurance in Force marked "unaudited" on which we express no opinion has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Stagni & Company

Thibodaux, Louisiana
August 23, 2007



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Comparative Statement of Net Assets
Water Enterprise Fund
June 30, 2007 and 2006

ASSETS	2007	2006
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,877,912	\$ 1,698,481
Investments	7,937,256	7,138,578
Receivables:		
Water sales	799,874	697,334
Unbilled water sales	906,843	1,074,063
Sewerage	38,479	36,427
Other	4,301	-
Inventory	494,198	415,036
Prepaid insurance	290,036	322,264
Total current assets	12,348,899	11,382,183
RESTRICTED ASSETS (cash and investments):		
Water revenue bond current debt service cash with fiscal agent	607,387	425,316
Water revenue bond current debt service investment account	1,159,859	963,231
Water revenue bond future debt service reserve account	1,768,220	1,714,642
Construction - cash	1,458,855	2,168,345
Construction - investments	11,205,229	3,496,070
Water revenue bond contingency account	200,000	200,000
Customer meter deposits cash	73,230	48,546
Customer meter deposits investments	850,000	850,000
Total restricted assets	17,322,780	9,864,150
PROPERTY, PLANT AND EQUIPMENT:		
at cost (net of accumulated depreciation		
of \$42,034,255 for 2007 and \$39,902,287 for 2006)	55,159,202	48,877,268
TOTAL ASSETS	\$ 84,830,881	\$ 70,123,601
LIABILITIES AND FUND EQUITY		
CURRENT LIABILITIES (payable from current assets):		
Accounts payable and accrued expenses	\$ 277,158	\$ 355,695
Retainage payable	704,676	390,720
Due to other entities for water sale collections	106,496	98,463
CURRENT LIABILITIES (payable from restricted assets):		
Bonds due within one year	1,505,000	1,145,000
Interest accrued	607,387	425,316
Customer meter deposits	922,925	896,330
Total current liabilities	4,123,642	3,311,524
LONG-TERM DEBT		
Bonds due after one year (net of unamortized discount and deferral of		
\$934,354 for 2007 and \$963,012 for 2006)	28,400,646	19,876,988
Total liabilities	32,524,288	23,188,512
NET ASSETS		
Invested in capital assets, net of related debt	37,777,749	33,225,907
Restricted for:		
Customer Deposits	923,230	896,546
Capital Projects	1,864,891	1,638,788
Debt Service	1,423,079	1,532,873
Unrestricted	10,317,644	9,640,975
Total net assets	52,306,593	46,935,089
TOTAL LIABILITIES AND NET ASSETS	\$ 84,830,881	\$ 70,123,601

See Notes to Financial Statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**
Comparative Statement of Revenues, Expenses and Changes in Net Assets
Water Enterprise Fund
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Metered sales to regular customers	\$ 11,050,943	\$ 9,620,026
Metered sales to industrial and municipal customers	26,771	14,920
Connection charges and other revenues	619,887	911,380
	<u>11,697,601</u>	<u>10,546,326</u>
OPERATING EXPENSES:		
Water purchased for resale	29,818	29,167
Water treatment expenses	2,977,699	2,944,524
Transmission and distribution expenses	1,636,454	1,601,511
Customer accounts expenses	756,611	720,405
Administrative and general expenses	1,191,459	988,953
Depreciation of utility system	2,286,399	2,196,253
	<u>8,878,440</u>	<u>8,480,813</u>
Income from operations	<u>2,819,161</u>	<u>2,065,513</u>
NON-OPERATING REVENUE:		
Investment income	863,996	528,696
Ad Valorem taxes	1,476,412	1,374,884
Shared revenue	50,468	50,442
Other income	2,276	1,933
	<u>2,393,152</u>	<u>1,955,955</u>
NON-OPERATING EXPENSES:		
Interest on bonds	1,067,330	874,200
Amortization of debt discount and expense	105,031	103,122
(Gain) loss on sale of fixed assts	(25,240)	1,119
(Gain) loss on investments	(241,903)	(244,673)
	<u>905,218</u>	<u>733,768</u>
Income or loss before contributions	4,307,095	3,287,700
Capital contributions	1,064,409	326,589
Change in net assets	5,371,504	3,614,289
Net Assets:		
Beginning of year	46,935,089	43,320,800
End of year	<u>\$ 52,306,593</u>	<u>\$ 46,935,089</u>

See notes to financial statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
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Comparative Statement of Cash Flows
Water Enterprise Fund
For the years ended June 30, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Cash received from customers	\$ 11,782,523	\$ 9,989,927
Cash payments to suppliers for goods and services	(4,046,779)	(3,346,100)
Cash payments made to employees for services	(2,348,744)	(2,445,182)
Net cash provided (used) by operating activities	<u>5,387,000</u>	<u>4,198,645</u>
Cash flows from noncapital financing activities:		
Ad valorem taxes received	1,476,412	1,374,884
Revenue sharing grant	50,468	50,442
Other noncapital financing revenue	2,276	1,933
Net cash provided (used) by noncapital financing activities	<u>1,529,156</u>	<u>1,427,259</u>
Cash flows from capital and related financing activities:		
(Acquisition) sale of capital assets	(7,503,923)	(5,528,009)
Gain / (Loss) on sale/abandoned assets	25,240	(1,119)
Bond Proceeds	10,000,000	-
Bond issue costs paid/amortized	(76,374)	-
Principal paid on revenue bond maturities	(1,145,000)	(941,878)
Interest paid on revenue bonds	(885,259)	(1,000,890)
Net cash provided (used) for capital and related financing activities	<u>414,684</u>	<u>(7,471,896)</u>
Cash flows from investing activities:		
Sales in excess of purchases and maturities/reclassification of investm	(8,581,415)	1,773,973
Gain (loss) on sale of investments	241,903	244,673
Interest and dividends on investments	863,996	528,696
Net cash provided (used) by investing activities	<u>(7,455,516)</u>	<u>2,547,342</u>
Net increase (decrease) in cash and cash equivalents	(124,676)	701,350
Cash and cash equivalents at the beginning of year	5,301,919	4,600,569
Cash and cash equivalents at the end of year	<u>\$ 5,177,243</u>	<u>\$ 5,301,919</u>
Cash and cash equivalents are composed of:		
Unrestricted Cash and Cash Equivalents	\$ 1,877,912	\$ 1,698,481
Cash and cash equivalents from restricted cash:		
Water revenue bond current debt service with fiscal agent	607,387	425,316
Water revenue bond current debt service account	1,159,859	963,231
Construction account	1,458,855	2,168,345
Customer meter deposits	73,230	46,546
	<u>\$ 5,177,243</u>	<u>\$ 5,301,919</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ 2,819,161	\$ 2,065,513
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,286,399	2,196,253
Changes in assets and liabilities:		
(Increase) decrease in receivables	58,327	(591,409)
(Increase) decrease in inventory	(79,162)	50,025
(Increase) decrease in prepaid insurance	32,228	(58,697)
Increase (decrease) in accounts payable	(70,504)	252,121
Increase (decrease) in contracts and retainage payable	313,956	249,829
Increase (decrease) in customer deposits	26,595	35,010
Total adjustments	<u>2,587,839</u>	<u>2,133,132</u>
Net cash provided (used) by operating activities	<u>\$ 5,387,000</u>	<u>\$ 4,198,645</u>
Noncash investing and financing activities:		
Acquisitions of fixed assets through capital contributions	\$ 1,064,409	\$ 326,589

See notes to financial statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2007 and 2006

Water District No. 1 of the Parish of Lafourche, State of Louisiana, (Water District No. 1) was created by the Police Jury of the Parish of Lafourche in accordance with the provisions of Act 343 of the Louisiana Legislature. The Board of Commissioners consists of 11 members who serve for an indefinite term, at the pleasure of the Lafourche Parish Council.

Water District No. 1's boundaries encompass the entire Parish of Lafourche, except for the City of Thibodaux. The services provided by Water District No.1 include a complete public water utility system of water purification, distribution, and customer accounting and collection.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the utilities are described below:

Note 1 Summary of Significant Accounting Policies

Reporting Entity

Based on the following criteria Water District No. 1 is considered a component unit of the Lafourche Parish Council.

The financial statements include all accounts of the Water District No. 1's operations. The criteria for including organizations as component units within the Water District No. 1's reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards include whether:

- The organization is legally separate (and can be sued in its own name)
- The Council holds the Corporate powers of the organization
- The Council appoints the voting majority of the Board of Commissioners
- The Council is able to impose its will on the organization
- The entity is able to impose a financial benefit/burden on the Council
- There is a fiscal dependency by the organization on the Council

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2007 and 2006

Note 1 Summary of Significant Accounting Policies (Continued)

Method of Accounting

The financial statements of the Water District No. 1 are prepared on the accrual basis of accounting. Whereby revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board Statement No. 20, the Water District No. 1 has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Water District No. 1 come from metered sales to residential, industrial and municipal customers as well as service connection charges and penalties from late payment of bills. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

Water District No. 1's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Water District No. 1's policy is that all surplus funds will be invested, where practical. Management's intent is to hold all investments to maturity. State law allows investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments are reported at fair value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

In the opinion of management all trade receivables are fully collectible. The opinion is based upon historical experience and a review of receivable balances. No allowance for uncollectible accounts has been provided.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2007 and 2006

Note 1 Summary of Significant Accounting Policies (Continued)

Inventories

Materials and supplies inventory is valued at cost using the first-in/first-out method.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. The commitments are not treated as expenses until a liability for payment is incurred, but are merely used to facilitate effective budget control and cash planning and management. The Water District does not employ encumbrance accounting where a portion of the applicable appropriation is reserved for open purchase orders.

Capital Assets

Capital assets are defined by the utility as assets with an initial, individual cost of more than \$500. Capital assets are reported at cost or the fair market value at the time of contribution to the District. Major outlays for plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the plant constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated using the straight-line method over the following useful lives:

Type of Asset	Service Life
Water Plant and Buildings	7 - 44 years
Transmission and Distribution System	3 - 44 years
Distribution and Maintenance	5 - 10 years
Administration and Office Buildings	25 - 30 years
Furniture and Equipment	3 - 8 years
Transportation Equipment	3 years

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2007 and 2006

Note 1 Summary of Significant Accounting Policies (Continued)

Compensated Absences

Water District No. 1 provides that employees may be away from work for vacation or for illness. Other types of leave-of-absence are provided for employees in order to fulfill personal obligations and other responsibilities.

Permanent employees earn paid vacations at their regular rate of pay, excluding overtime, after a period of one year of employment of one to five weeks based upon length of employment. Generally, vacation leave does not vest. Vacations must be taken by December 31st of each year.

Upon attaining 6 months of employment, an employee is entitled to thirteen days of sick leave per year. Sick leave does not accumulate, but it vests to a maximum of 34 hours. The balance of sick leave is paid to each employee in December of every year to a maximum of 34 hours per employee.

All employees upon attaining 1 full year of service shall be entitled to 1 day per year of personal preference leave. Time not taken by December 31st of each year shall be lost. The current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. Accrued sick leave of \$28,348 is included in accounts payable and accrued expenses on the Comparative Statement of Net Assets.

Bond Discounts, Bond Issuance and Prepaid Loan Costs

Bond discounts and bond issuance costs are being amortized on the interest method over the term of the related obligation. Prepaid loan costs are being amortized on the straight-line method, which approximates the interest method, over the term of the related obligation. Bond discounts are presented as a reduction to revenue bonds on the accompanying financial statements.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2007 and 2006

Note 1 Summary of Significant Accounting Policies (Continued)

Revenues and Expenses

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

Water District No. 1 has purchased commercial insurance to manage risk in the following areas; building and contents, boiler and machinery, general liability, commercial automobile, end to pollution, terrorism risk, directors and officers liability coverage, excess directors and officers liability, public official bonding, public employees blanket bond, workmen's compensation liability and employee health. There have been no significant reductions in insurance coverage in any area. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2007 and 2006

Note 2 Stewardship, Compliance and Accountability

Budget Information

The annual budget is a management tool that assists users in analyzing financial activity for the ensuing fiscal year. State law does not require a budget be adopted or reported for Enterprise Funds and accordingly; no budget and actual comparisons are presented in this report.

Compliance with bond resolutions and covenants, authorizing and securing the currently outstanding revenue bonds does require the adoption of a budget. Prior to the close of each fiscal year the Board adopts a proposed budget. The budget for this fiscal year was adopted on June 15, 2006 at the regular board meeting.

Note 3 Deposits with Financial Institutions and Investments

Deposits (demand deposits, interest bearing demand deposits and certificates of deposit) are recorded at cost, which approximates fair value. At June 30, 2007 and 2006, the carrying amounts of deposits were \$8,208,529 and \$6,320,344 and the bank balances were \$8,576,197 and \$8,625,528. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit.

Custodial Credit risk is the risk that in an event of a bank failure, the district's deposits may not be returned to it. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market values of the pledged securities plus the federal deposit insurance (FDIC) must at all time equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

FDIC and pledged securities valued at \$13,422,689 and \$11,035,586 for 2007 and 2006, respectively, secure these deposits from risk. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the District's name.

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the entity that the fiscal agent has failed to pay deposited funds upon demand.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2007 and 2006

**Note 3 Deposits with Financial Institutions and Investments
(Continued)**

As of June 30, 2007, \$8,270,108 of the bank balance of \$8,576,197 and as of June 30, 2006 \$8,418,952 of the government's bank balance of \$8,625,528 was exposed to custodial credit risk as follows:

Type	6/30/2006	6/30/2007
Uninsured and collateral held by pledging bank's trust department not in the district's name	\$8,418,952	\$8,270,108

Investments at June 30, 2007 consisted of:

Investment	Carrying Amount	Fair Value	Maturities
U.S. Treasury Obligations	\$2,618,714	\$2,618,714	Less than a year
U.S. agencies	12,973,449	12,938,963	Less than a year
TOTAL	15,592,163	15,557,677	
LAMP	3,337,256	3,337,256	Avg. maturity 60 days or less
TOTAL INVESTMENTS	\$18,929,419	\$18,894,933	

Investments at June 30, 2006 consisted of:

Investment	Carrying Amount	Fair Value	Maturities
U.S. Treasury Obligations	\$2,153,722	\$2,153,722	Less than a year
U.S. agencies	8,417,699	8,450,696	Less than a year
TOTAL	10,571,421	10,604,418	
LAMP	1,744,910	1,744,910	Avg. maturity 60 days or less
TOTAL INVESTMENTS	\$12,316,331	\$12,349,328	

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2007 and 2006

**Note 3 Deposits with Financial Institutions and Investments
(Continued)**

Water District No. 1 invests in the Louisiana Asset Management Pool (LAMP), a state and local government investment pool, administered by LAMP, Inc., which is a nonprofit corporation organized under the laws of the State of Louisiana which was formed by an initiative of the State Treasurer in 1993. A board of directors consisting of the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's governs the corporation. These approved investments are carried at cost, which approximate market and may be liquidated as needed.

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Most of the investments are for the construction project accounts and the district invests its moneys in short term maturity investments so as to have cash flows available to pay invoices on the construction projects as they become due and payable.

Credit Risk and Custodial Credit Risk. State law limits investments in collateralized certificates of deposit, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities. The state investment pool (LAMP) operates in accordance with state laws and regulations. It is the district's policy to limit its investments in these investment types. As of December 31, 2006, the district's investment in LAMP was rated AAAM by Standard & Poor's.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District also invests in structured financial instruments, which are held by an agent in Water District No. 1's name. Structured financial instruments generally include contracts, whose value depend on, or derive from, the value of an underlying asset, reference rate, or index. At June 30, 2007 and 2006, Water District No. 1 held mortgage-backed securities in the form of FNMA, FHLMC and FHLB mortgage-backed pass through obligations. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the District will receive the full amount of principal, if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment is lost.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2007 and 2006

**Note 3 Deposits with Financial Institutions and Investments
(Continued)**

Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. Management's intent is to hold these investments to maturity. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk; therefore, the district does not have to disclose credit risk for the U.S. Treasury Obligations and U.S. agencies since they carry the explicit guarantee of the U.S. government.

Note 4 Ad Valorem Taxes

Property taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	Authorized Millage	Levied Millage
Water District Operations	3.81	3.81

Each November based on the assessed value of property as of the prior January 1 the Parish Assessor of Lafourche sends ad valorem tax bills. Billed taxes become delinquent on January 1 of the following year.

A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the parish as of January 1, 2004. The assessed value for the property on January 1, on which the 2007 and 2006 levy was based, was approximately \$400,715,328 and \$396,411,382 respectively.

The authorization to levy ad valorem taxes was granted through Parish elections for the purpose of operating and maintaining the water system for the constituents of Water District No. 1. The millage levied for the District for the year June 30, 2007 and 2006 was 3.81 for both years. Tax collected as of June 30, 2007 and 2006 on the 2006 and 2005 tax levy was 98% and 96% respectively.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2007 and 2006

Note 5 *Deferred Compensation Plan*

Employees of the Water District are eligible to contribute to the Louisiana Deferred Compensation Plan under Internal Revenue Code 457 on a voluntary basis. The plan provides state, parish and municipal employees with the opportunity to invest money on a before-tax basis, using payroll deduction. Participants can contribute up to a maximum of 100% of compensation, not to exceed \$15,500 for the 2007 calendar year. Additionally, if age 50 or older, participants may elect the Age 50+ provision to defer an additional \$5,000 in 2007 above the annual deferral limit.

During three years prior to normal retirement age as defined by the Plan, a participant may be eligible to contribute a "catch-up" amount if the participant did not contribute the maximum allowable amount during the years of eligibility in the Plan since January 1, 1979. This provision can not be used during the calendar year if the Age 50+ provision is elected, nor may a catch-up contribution be made during the calendar year of the normal retirement age, nor may a catch-up contribution be made if the participant previously participated in catch-up under this or any other Section 457 plan. Withdrawals from the plan occur at retirement, separation from service, death, or proven financial hardship (unforeseeable emergency as defined by the Plan).

Water District No. 1 has the responsibility for withholding and remitting contributions from participants to the plan. Great-West Life is the plan administrator and provides communication, record keeping of the accounts, and investment of the plan assets. All amounts of compensation deferred all property rights and rights purchased and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants or their beneficiaries. The assets of the plan are not considered Water District No. 1's assets, nor subject to claims or creditors of the District.

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA

Notes to Financial Statements (Continued)

For the years ended June 30, 2007 and 2006

Note 6 Capital Assets

Capital assets and depreciation as of and for the years ended June 30, 2007 and June 30, 2006, respectively, is as follows:

Description	Balance June 30, 2005	Net Additions (Dispositions) Reclassifications	Balance June 30, 2006	Net Additions (Dispositions) Reclassifications	Balance June 30, 2007
Capital assets, not being depreciated					
Land and Right of Way	\$ 952,583	\$ -	\$ 952,583	\$ -	\$ 952,583
Construction Projects	2,219,081	3,684,863	5,903,944	4,976,750	10,880,694
Total capital assets, not being depreciated	<u>3,171,664</u>	<u>3,684,863</u>	<u>6,856,527</u>	<u>4,976,750</u>	<u>11,833,277</u>
Capital assets, being depreciated					
Water Plant and Building	18,132,568	1,392,000	19,524,568	737,660	20,262,228
Transmissions and					
Distribution System	59,289,658	1,097,044	60,386,702	2,807,460	62,994,162
Distribution and Maintenance					
Equipment	589,612	89,879	679,491	79,685	759,186
Administration and Office					
Buildings	542,167	-	542,167	-	542,167
Furniture and Equipment	301,555	17,054	318,609	404	319,013
Transportation Equipment	457,452	14,041	471,493	11,931	483,424
Total capital assets, being depreciated	<u>79,313,012</u>	<u>2,610,018</u>	<u>81,923,030</u>	<u>3,437,150</u>	<u>85,360,180</u>
Accumulated Depreciation					
Water Plant and Building	(7,792,354)	(524,616)	(8,316,970)	(573,436)	(8,890,406)
Transmissions and					
Distribution System	(28,587,141)	(1,538,916)	(30,126,057)	(1,543,988)	(31,670,055)
Distribution and Maintenance					
Equipment	(464,985)	(32,437)	(497,422)	(46,151)	(543,573)
Administration and Office					
Buildings	(229,557)	(18,474)	(248,031)	(18,474)	(266,505)
Furniture and Equipment	(270,298)	(15,956)	(286,254)	(12,155)	(298,409)
Transportation Equipment	(410,764)	(16,791)	(427,555)	62,248	(365,307)
Total accumulated depreciation	<u>(37,755,099)</u>	<u>(2,147,190)</u>	<u>(39,902,289)</u>	<u>(2,131,966)</u>	<u>(42,034,255)</u>
Total capital assets, being depreciated net	<u>41,557,913</u>	<u>462,828</u>	<u>42,020,741</u>	<u>1,305,184</u>	<u>43,325,925</u>
Total capital assets, net	<u>\$ 44,729,577</u>	<u>\$ 4,147,691</u>	<u>\$ 48,877,268</u>	<u>\$ 6,281,934</u>	<u>\$ 55,159,202</u>
Depreciation Expense	<u>\$ 2,103,615</u>	<u>25</u>	<u>\$ 2,196,253</u>		<u>\$ 2,286,399</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2007 and 2006

Note 7 Long-Term Debt

A summary of bond transactions of the District for the year ended June 30, 2007 and 2006 follows:

	July 1, 2005	Retire- ments	June 30, 2006	Additions/ Retirements	June 30, 2007
Water Revenue Bonds Payable	\$23,030,000	\$(1,045,000)	\$21,985,000	\$8,855,000	\$30,840,000
Bond Issuance Costs	(348,074)	40,682	(307,392)	(33,782)	(341,174)
Deferral on Refunding	(718,060)	62,440	(655,620)	62,440	(593,180)
TOTAL	\$21,963,866	\$(941,878)	\$21,021,988	\$8,883,658	\$29,905,646

Long-term bonded debt totaling \$29,905,646 includes \$1,505,000 of bonds payable within one year which is included in the payables from restricted assets on the Comparative Statement of Net Assets.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2007 and 2006

Note 7

Long-Term Debt (Continued)

Water Revenue Bonds	2006	2007
Consisted of the following:		
\$10,000,000 Water Revenue Bonds dated October 1, 1996 with A maturity date on January 1, 2017 And with interest at 4.2%-5.7%	\$475,000	\$ -
\$10,000,000 Water Revenue Bonds dated January 1, 2002 with a Final maturity on July 1, 2021, And with interest at 4.2%	8,755,000	8,400,000
\$6,000,000 Water Revenue Bonds dated May 1, 2003 with a Final maturity on January 1, 2023 And with interest at 3.6%-4.6%	5,490,000	5,280,000
\$7,330,000 Water Revenue Refunding Bonds dated October 28, 2004 with a Final maturity on January 1, 2017 And with interest at 1.8% to 3.85%	7,265,000	7,160,000
\$10,000,000 Water Revenue Bonds dated December 1, 2006 with a Final maturity on January 1, 2027 and with Interest at 4.0% to 4.5%	-	\$10,000,000
TOTAL	\$21,985,000	\$30,840,000

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements (Continued)
For the years ended June 30, 2007 and 2006

Note 7 Long-Term Debt (Continued)

The annual requirements to amortize all bonds outstanding, including interest payments as of June 30, 2007 and 2006, are as follows:

Year Ended June 30, 2006	Amount
2007	\$1,995,633
2008	2,004,263
2009	2,018,945
2010	2,030,165
2011	2,038,055
2012-2016	10,372,733
2017-2021	7,198,233
2022-2023	1,788,190
TOTAL	\$29,446,217

Year Ended June 30, 2007	Amount
2008	\$2,719,775
2009	2,735,958
2010	2,753,003
2011	2,760,818
2012	2,768,858
2013-2017	14,092,690
2018-2022	10,146,420
2023-2027	4,394,800
TOTAL	\$42,372,320

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2007 and 2006

Note 8 **Flow of Funds; Restrictions on Use**

Under the terms of the bond indenture for each issue of Water Revenue Bonds, all income and revenues to be derived from the operation of the system are irrevocably and irreparably pledged in an amount sufficient for the payment of principal and interest on such bonds, and is set aside in the following manner:

- All revenue is periodically deposited in the Revenue Fund to provide for payment of all reasonable and necessary expenses for administration, operation and maintenance.
- On or before the 20th day of each month, there set aside in a restricted bank account designated as Bond Fund, an amount equal to 1/6 of the interest due on the next interest payment date and 1/12 of the principal due on the next principal payment date. Such funds may be used only for the payment of principal and interest installments as they become due. The balances in these accounts are shown as restricted assets - Water Revenue Bond Current Debt Service Account.
- For bonds issued October 1, 1996, January 1, 2002, May 3, 2003, October 28, 2004, and December 1, 2006 the establishment and maintenance of the "Reserve Fund", by transferring from bond proceeds, the sum that will equal at least equal the Reserve Fund Requirement. The money in the Reserve Fund shall be retained solely for the purpose of paying the principal of and interest on the bonds.
- On or before the 20th day of each month, to be deposited into a restricted bank account designated as the Renewal and Replacement Fund, an amount equal to 5% of the gross revenue for the preceding month. In the event that the balance in this fund exceeds \$200,000 at the end of the fiscal year, such excess is to be transferred to the Renewal and Improvements Fund. Money in this fund may be used only for extensions, additions, improvements, renewals, and replacement necessary to properly operate. Money in this fund may also be used to pay principal or interest falling due at any time there is not sufficient money for payment in the other bond funds. The balance in this fund shall never be reduced below a minimum of \$15,000. The \$100,000 balance in this fund was accumulated in a prior year and the second \$100,000 was accumulated in 2002.
- All of the revenues received in any fiscal year, and not required to be paid in such fiscal year into any of the above noted funds, in excess of 25% of the current fiscal year's budgeted amount of operating expenses, is to be considered surplus and transferred to the Renewal and Improvements Fund. Such funds are to be used for extensions, additions, improvements, renewals, and replacements to the water system.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2007 and 2006

Note 9 Retirement Commitments

Plan Description and Provisions

All employees are members of the Parochial Employee's Retirement System of Louisiana (PERS) a cost sharing multiple-employer defined benefit pension plan. The System provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elect to become members of the System. All members of the Parochial Employees' Retirement System are participants in either Plan A or Plan B. Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date.

Water District No. 1 has chosen to participate in Plan A. The types of benefits provided under this plan include:

Retirement Benefits

Any members can retire providing he/she meets one of the following criteria, if they were hired prior to January 1, 2007:

- At any age with 30 or more years of creditable service.
- Age 55 with 25 years of creditable service.
- Age 60 with a minimum of 10 years of creditable service.
- Age 65 with a minimum of 7 years of creditable service

If members were hired after January 1, 2007, a member can retire providing he/she meets one of the following criteria:

- 7 years and age 67
- 10 years and age 62
- 30 years and age 55

Survivor Benefits

Upon the death of any member of the plan with 5 or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes.

Deferred Retirement Option Plan Benefits

In lieu of terminating employment and accepting a service retirement, any member who is eligible to retire may elect to participate in the Deferred Retirement Option Plan for up to three years and defer the receipt of benefits.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2007 and 2006

Note 9 Retirement Commitments (Continued)

Disability Benefits

A member hired prior to January 1, 2007 shall be eligible to retire and to receive a disability benefit if he/she has at least five years of creditable service, is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. If a member was hired after January 1, 2007, shall be eligible to retire and to receive disability benefit if he/she has at least seven years of creditable service.

The Parochial Employees' Retirement System of Louisiana was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana. A Board of Trustees, an Administrative Director, an Actuary and Legal Council operate the System.

The Retirement System is governed by Louisiana Revised Statutes, Title 11, Sections 1901 through 2015, specifically, and other general laws of the United States.

The Parochial Employees' Retirement System issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619. (phone 985.928.1361)

Funding Policy

State Statute establishes member contributions. Employer contributions are actuarially determined every year determined by statutory process.

For the current year the required contribution rate for active plan members is 9.50% of payroll. The actuarially required net direct employer contributions as a percentage of payrolls were determined to be 12.75% for 2005 and 2006 and 13.25% for 2007. Member and employer contributions for the year ending June 30, 2007 were \$214,537 and \$300,941, June 30, 2006 were \$190,397 and \$244,942, respectively.

In addition, each sheriff and ex officio tax collector deducts one-fourth of one percent of the aggregate amount of the tax collected by the tax roll of each respective parish excepting Orleans parish and East Baton Rouge Parish and remits the money to the System on an annual basis.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements

For the years ended June 30, 2007 and 2006

Note 10 Post Employment Benefits

Employees with twenty-five (25) years of service or more are eligible for group health coverage as follows:

- Retirees with 25 of service, but less than 30 years of service will be responsible for the total premium for health insurance coverage. The insurance coverage will be available to the retiree for ten (10) years or until his/her 65th birthday or until such time as the retiree becomes eligible for another group plan. Dependents that are covered at the time of retirement can continue coverage at the retiree's cost. No dependent can be added to Retiree's plan.
- Retirees with 30 years of service or more will be responsible for a percentage of the premium and the District will pay a percentage of the premium. The retiree's percentage of the premium will be determined annually by the Board. The insurance coverage will be available to the retiree for ten (10) years from retirement or until such time as the employee becomes eligible for another group plan. or until his/her 65th birthday or until such time as the retiree becomes eligible for another group plan. Dependents that are covered at the time of retirement can continue coverage at the retiree's cost. No dependent can be added to Retiree's plan.

The coverage is for available upon retirement only. Coverage for a retiree cannot be reinstated once it is dropped or a retiree is not considered eligible.

Retirees that wish to continue group coverage with the district shall be required to pay one month premium in advance upon retiring. Retiree's monthly premium payments (whether the retiree is responsible for all or a portion of the premium) must be received by the 10th of the month or coverage will terminate if premium is not received by the 30th.

Information on the benefits paid follows:

	2006	2007
Premiums paid by the District	\$ 9,039	\$13,032
Number of retirees	4	6

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

Notes to Financial Statements
For the years ended June 30, 2007 and 2006

Note 12 Construction Commitments

Construction commitments at June 30, 2007 are as follows:

Project	Total Estimated Cost (1)	Costs incurred to 6/30/07
Water Replacement - Along East 5 th St.	\$459,667	\$ 215,062
Waterline Replacement Along Pecan St.	328,105	185,263
Waterline Replacement Along Silver St	447,403	-
St. Project 829-32-0001 Fourchon to Leeville- Phase 1A	380,936	189,137
State Project 829-32-0001 Fourchon to Leeville - Phase 1B Bayou Lafourche Crossing	1,409,595	1,405,195
State Project 829-32-0001 Fourchon to Leeville - Phase 1B North & South Connectors	2,038,915	2,038,915
18" Waterline from Leeville Bridge to Leeville Booster No. 2	861,508	861,508
18" Waterline from Leeville Bst to Leeville Bridge - South	917,450	911,915
18" Waterline from Leeville Bst to Leeville Bridge - North	1,093,208	1,093,208
18" Waterline from Leeville Bst to G. Meadow Floodgate	2,101,010	-
18" Waterline from Cut Off to Larose	1,668,980	1,668,980
12" Bayou Crossing @ North Treatment Plant	91,700	91,700
12" Bayou Crossing North of West Thibodaux Tank	99,529	99,529
Cleaning & Painting Chackbay & Kreamer Elevated Tanks	339,776	282,885
Generator Storage Facility - North Plant	356,000	333,053
Portable Generator Acquisition	263,736	-
1955 Transfer Station Upgrade - South Plant	434,600	25,000
Chlorine Scrubbers - North & South Plant	309,000	301,000
Totals	\$13,601,118	\$9,702,350

(1) Approved budget

***REQUIRED SUPPLEMENTAL
INFORMATION***

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

**Schedule of Per Diem and Compensation of Board of
Commissioners**

June 30, 2007

During the year the Board of Commissioners held twelve meetings. Board members were compensated as follows:

• Mr. Sidney Triche, President	\$ -0-
• Mr. Richard Bollinger, Vice-President	\$ -0-
• Mr. Harvey Robichaux, Secretary/Treasurer	\$1,800
• Mr. Numa Breaux, Commissioner	\$ -0-
• Mrs. Doris Cochran, Commissioner	\$ -0-
• Mr. Gus Cheramie, Commissioner	\$ -0-
• Mr. Manuel Delatte, Commissioner	\$ -0-
• Mr. Eric Roundtree, Commissioner	\$ -0-
• Mr. Louis Thibodaux, Commissioner	\$ -0-
• Mr. Robert Pontif, Jr., Commissioner	\$ -0-
• Mr. Morris Guidry, Commissioner	\$ -0-

***OTHER SUPPLEMENTAL
SCHEDULES***

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA

Comparative Statement of Operating Expenses
Water Enterprise Fund
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Water Purchased for Resale	\$ 29,818	\$ 29,167
Water Treatment Expenses:		
Pumping Operations	999,594	902,250
Pumping Maintenance	9,424	9,197
Purification Operations	1,260,543	1,294,612
Purification Maintenance	708,138	738,465
Total Water Treatment Expenses	<u>2,977,699</u>	<u>2,944,524</u>
Transmission and Distribution Expenses:		
Distributions Operations	777,526	913,419
Distribution Maintenance	858,928	688,092
Total Transmission and Distribution Expenses	<u>1,636,454</u>	<u>1,601,511</u>
Customer Accounts Expenses:		
Customer Operations Expense	756,611	720,405
Total Customer Accounts Expense	<u>756,611</u>	<u>720,405</u>
Administrative and General Expenses:		
General Operating & Office Expense	978,461	789,418
Maintenance - General Property and Equipment	212,998	199,535
Total Administrative and General Expenses	<u>1,191,459</u>	<u>988,953</u>
Depreciation of Utility System	<u>2,286,399</u>	<u>2,196,253</u>
TOTAL OPERATING EXPENSES	<u>\$ 8,878,440</u>	<u>\$ 8,480,813</u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

**Statement of Cash Receipts and Disbursements
For the years ended June 30, 2007 and 2006**

Revenue Fund

	<u>2007</u>	<u>2006</u>
Cash Balance, July 1	\$ 1,664,081	\$ 1,428,527
Receipts:		
From Customers	12,134,925	9,499,530
Interest Earned	340,973	728,311
Transfers from Other Accounts	1,558,784	1,460,541
Others	497,568	1,529,073
	<u>14,532,250</u>	<u>13,217,455</u>
Disbursements:		
Operating Expense	8,725,161	9,122,009
Transfers to Other Accounts	5,647,235	3,859,892
	<u>14,372,396</u>	<u>12,981,901</u>
Cash Balance, June 30	<u><u>\$ 1,823,935</u></u>	<u><u>\$ 1,664,081</u></u>

Maintenance and Operating Fund

Cash Balance, July 1	\$ 5	\$ 1
Receipts:		
Ad Valorem Taxes (Net)	1,476,412	1,375,227
Revenue Sharing	50,468	50,422
Total	<u>1,526,880</u>	<u>1,425,649</u>
Disbursements:		
Transferred to Revenue Fund for Operating Expenses	<u>1,526,881</u>	<u>1,425,645</u>
Cash Balance, June 30	<u><u>\$ 4</u></u>	<u><u>\$ 5</u></u>

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Statement of Cash Receipts and Disbursements
For the years ended June 30, 2007 and 2006

Renewal and Improvements Fund

	<u>2007</u>	<u>2006</u>
Cash Balance, July 1	\$7,171,673	\$6,690,230
Revenues:		
Interest Earned	234,034	124,865
Transfer from:		
Revenue Fund	5,639,582	3,859,892
Construction Fund	2,672,294	2,480,031
Renewal & Improvements Investments	<u>1,505,675</u>	<u>1,700,000</u>
	<u>10,051,585</u>	<u>8,164,788</u>
Disbursements:		
Transfer to:		
Additions to System and Utility Plant Assets	<u>9,233,339</u>	<u>7,683,345</u>
Cash Balance, June 30	<u><u>\$7,989,919</u></u>	<u><u>\$7,171,673</u></u>

Summary of Cash and Investments - Current Assets

Revenue Fund	\$1,823,935	\$3,214,430
Maintenance and Operation Fund	4	4
Renewal and Improvements Fund	7,989,919	962,886
Refund Clearing	10	0
Payroll Clearing	100	100
Cash on Hand	700	700
Cash on Deposit -		
Collection Agent Accounts	<u>500</u>	<u>500</u>
Cash and Temporary Cash Investments - Current Assets	<u><u>\$9,815,168</u></u>	<u><u>\$4,178,620</u></u>
Unrestricted Cash and Cash Equivalents	\$ 1,877,912	\$ 1,698,481
Unrestricted Investments	<u>7,937,256</u>	<u>7,138,578</u>
	<u><u>\$ 9,815,168</u></u>	<u><u>\$ 8,837,059</u></u>

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE

STATE OF LOUISIANA

Statement of Cash Receipts and Disbursements - Restricted Assets
For the years ended June 30, 2007 and 2006

	Current Debt Service Accounts		Future Debt Service Accounts		2002		2003		2007		2006	
	Bond Fund		Bond Reserve		Construction		Construction		Construction		Total	Total
Cash and investments July 1	\$ 1,388,547	\$	1,714,642	\$	3,922,924	\$	1,741,491	-	\$	200,000	\$ 896,546	\$ 12,082,034
Receipts:												
Interest earned	85,333				17,508		33,318	177,288		2,669	316,116	143,052
Customer deposits										149,610	149,610	181,000
Discounts	738,772				171,584		12	14,929		925,297	211,782	
Bond Proceeds								10,000,000		10,000,000		
Transfers from:												
Bond Fund			1,768,222									
Bond Reserve	1,639,830										1,768,222	1,714,648
Water Revenue Fund											1,639,830	1,969,200
Total receipts	2,463,935		1,768,222		189,092		33,330	10,192,217		152,279	14,789,075	4,199,882
Disbursements:												
Fees/Claims	54,977							5,675		60,652	425,316	
Principal	1,145,000									1,145,000	1,493,884	
Interest	885,259									885,259	-	
Refund of customer deposits										10,180	8,260	
Premiums											204,431	
Transfers to:												
Renewal and Improvements Fund					799,384		1,774,821	98,090		2,672,295	2,480,031	
Bond Reserve										737,000	-	
Bond Fund			1,714,644							1,714,644	1,682,145	
Water Revenue Fund										115,415	123,499	
Total disbursements	2,085,236		1,714,644		799,384		1,774,821	840,765		125,595	7,340,445	6,417,566
Cash and investments June 30	\$ 1,767,246	\$	1,768,220	\$	3,312,632	\$	-	\$ 9,351,452	\$	200,000	\$ 17,322,780	\$ 9,864,150

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Maturities

\$10,000,000 Water Revenue Bonds, Series 1996

Dated: October 1, 1996

Date of Maturity	Amount	Date of Maturity	Amount
01/01/1998	\$80,000	01/01/2008	\$500,000
01/01/1999	80,000	01/01/2009	535,000
01/01/2000	85,000	01/01/2010	565,000
01/01/2001	85,000	01/01/2011	600,000
01/01/2002	470,000	01/01/2012	640,000
01/01/2003	495,000	01/01/2013	680,000
01/01/2004	530,000	01/01/2014	720,000
01/01/2005	580,000	01/01/2015	765,000
01/01/2006	445,000	01/01/2016	810,000
01/01/2007	475,000	01/01/2017	860,000
		TOTAL	\$10,000,000

Bonds are in denominations of \$5,000 each.

The Bonds maturing January 1, 2008, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2007, or in part in the inverse order of their maturities, and if less than a full maturity then by lot within such maturity, on any Interest Payment Date on or after January 1, 2007, at the redemption prices stated herein.

On October 28, 2004, bonds maturing January 1, 2008 and thereafter were called for redemption with the Water District issuing Water Revenue Refunding Bonds in an amount of \$7,330,000.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Maturities

\$10,000,000 Water Revenue Bonds, 2002 Series

Dated: January 1, 2002

Date of Maturity	Amount	Date of Maturity	Amount
01/01/2003	\$285,000	01/01/2013	\$490,000
01/01/2004	305,000	01/01/2014	515,000
01/01/2005	320,000	01/01/2015	545,000
01/01/2006	335,000	01/01/2016	575,000
01/01/2007	355,000	01/01/2017	605,000
01/01/2008	375,000	01/01/2018	640,000
01/01/2009	395,000	01/01/2019	675,000
01/01/2010	420,000	01/01/2020	715,000
01/01/2011	440,000	01/01/2021	750,000
01/01/2012	465,000	01/01/2022	795,000
		TOTAL	\$10,000,000

Bonds are in denominations of \$5,000 each.

The Bonds maturing January 1, 2013, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2012, or in part in the inverse order of their maturities, and if less than a full maturity then by lot within such maturity, on any Interest Payment Date on or after January 1, 2012, at the redemption prices stated herein.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Maturities

\$6,000,000 Water Revenue Bonds, 2003 Series

Dated: May 1, 2003

Date of Maturity	Amount	Date of Maturity	Amount
01/01/2004	\$120,000	01/01/2014	\$300,000
01/01/2005	190,000	01/01/2015	315,000
01/01/2006	200,000	01/01/2016	330,000
01/01/2007	210,000	01/01/2017	345,000
01/01/2008	225,000	01/01/2018	365,000
01/01/2009	235,000	01/01/2019	380,000
01/01/2010	245,000	01/01/2020	400,000
01/01/2011	260,000	01/01/2021	420,000
01/01/2012	270,000	01/01/2022	440,000
01/01/2013	285,000	01/01/2023	465,000
		TOTAL	\$6,000,000

Bonds are in denominations of \$5,000 each.

The Bonds maturing January 1, 2014, and thereafter, are callable for redemption at the option of the Issuer in full at any time on or after January 1, 2013, or in part in the inverse order of their maturities, and if less than a full maturity then by lot within such maturity, on any Interest Payment Date on or after January 1, 2013, at the redemption prices stated herein.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Maturities

\$7,330,000 Water Revenue Refunding Bonds, 2004 Series

Dated: October 28, 2004

Date of Maturity	Amount	Date of Maturity	Amount
01/01/2006	\$65,000	01/01/2012	\$695,000
01/01/2007	105,000	01/01/2013	725,000
01/01/2008	605,000	01/01/2014	750,000
01/01/2009	630,000	01/01/2015	780,000
01/01/2010	650,000	01/01/2016	810,000
01/01/2011	670,000	01/01/2017	845,000
		TOTAL	\$7,330,000

Bonds are in denominations of \$5,000 or any integral multiple thereof within a single maturity.

The Bonds are not callable for redemption by the Issuer prior to their stated maturities.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Maturities

\$10,000,000 Water Revenue Bonds, 2006 Series

Dated: December 1, 2006

Date of Maturity	Amount	Date of Maturity	Amount
01/01/2008	\$300,000	01/01/2018	\$495,000
01/01/2009	315,000	01/01/2019	515,000
01/01/2010	335,000	01/01/2020	545,000
01/01/2011	350,000	01/01/2021	570,000
01/01/2012	365,000	01/01/2022	600,000
01/01/2013	385,000	01/01/2023	630,000
01/01/2014	405,000	01/01/2024	660,000
01/01/2015	425,000	01/01/2025	695,000
01/01/2016	445,000	01/01/2026	730,000
01/01/2017	470,000	01/01/2027	765,000
		TOTAL	\$10,000,000

Bonds are in denominations of \$5,000 or any integral multiple thereof within a single maturity, in fully registered form.

The Bonds maturing January 1, 2018, and thereafter, are callable for redemption by the Issuer in full, or in part, at any time on or after January 1, 2017 (but if in part, in the inverse order of their maturities, and if less than a full maturity, then by lot within such maturity), at the principal amount thereof, plus accrued interest from the most recent Interest Payment Date to which interest has been paid for duly provided for to the date fixed for redemption, plus a redemption premium of 1% if redeemed during the period from January 1, 2017 to December 31, 2022 or ½% if redeemed January 1, 2023 and thereafter.

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA
Schedule of Metered Water Customers
June 30, 2007
(Unaudited)

All sales of water are metered. At June 30, 2007, there were 30,193 active metered customers.

**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA**

Schedule of Insurance in Force

June 30, 2007

(Unaudited)

<u>Amount of Policy</u>	<u>Risks Covered</u>	<u>Insurer</u>	<u>Expiration Date</u>
\$28,317,672 (per schedule)	Commercial Property Inland & Marine Deductible 2% No Min. Wind/Hail Deductible \$ 5,000 All Other Perils Includes Terrorism Coverage	Westport Insurance Corporation	03/01/08
\$ 5,560,363 (per schedule)	Boiler & Machinery Deductible \$1,000	National Union Fire Insurance Co.	03/01/08
\$ 1,000,000	General Liability	Westport Insurance Corporation	03/01/08
\$ 1,000,000 \$ 1,000,000	Automobile (Uninsured Motorist)	Westport Insurance Corporation	03/01/08
\$ 10,000,000	Commercial Umbrella Liability Coverage Deductible \$10,000	American International Speciality Lines Insurance Co.	03/01/08
\$ 2,000,000	Public Officials Errors & Omissions Deductible \$10,000 (E & O) Deductible \$15,000 (Empl. Prac.)	Capital Specialty Insurance Co.	03/01/08
\$ 50,000	Public Officials Oath Bond	Western Surety Company	03/01/08
\$ 250,000	Fidelity/Crime	Western Surety Co.	03/01/08
\$ 1,000,000	Worker's Compensation	Bridgefield Casualty	03/01/08
\$ 1,000,000	Pollution Liability	Steadfast Insurance Company	05/17/08

***REPORTS REQUIRED BY
GOVERNMENT AUDITING
STANDARDS***



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
Water District No. 1 of the Parish of Lafourche,
State of Louisiana

We have audited the financial statements of the business type activities of the Water District No. 1, a component unit of the Lafourche Parish Council, as of and for the year ended June 30, 2007, which comprise the basic financial statements, and have issued our report thereon dated August 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Water District No. 1's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Water District No. 1's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a remote likelihood that a misstatement of the Water District No. 1's financial statements that is more than inconsequential will not be prevented or detected by the Water District No. 1's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Water District No. 1's internal control.

Our consideration of internal control over financial reporting was for the limited purpose of described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the Water District No. 1 and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Stagni & Company

Thibodaux, Louisiana
August 23, 2007



**WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE,
STATE OF LOUISIANA**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007**

We have audited the financial statements of the business type activities of the Water District No. 1, a component unit of the Lafourche Parish Council, as of and for the years ended June 30, 2007 and have issued our report thereon dated August 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit of the financial statements as of June 30, 2007, resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☐ Yes ☒ No

Significant Deficiencies ☐ Yes ☒ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

b. Federal Awards – NONE

Internal Control

Material Weaknesses ☐ Yes ☐ No

Significant Deficiencies ☐ Yes ☐ No

Type of Opinion On Compliance ☐ Unqualified ☐ Qualified ☐
☐ Disclaimer ☐ Adverse ☐

Are there findings required to be reported in accordance with Circular A-133
Section .510(a)? ☐ Yes ☐ No

c. Identification of Major Programs – N/A

Section II - Financial Statement Findings

NONE

Section III - Federal Award Findings and Questioned Costs

NOT APPLICABLE



WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA

Status of Prior Audit Findings
For the Year Ended June 30, 2007

<u>Reference Number</u>	<u>Fiscal Year Finding</u>		<u>Description of Finding</u>	<u>Corrective Action Taken</u>		<u>Planned Corrective Action/Partial Corrective Action Taken</u>	
	<u>Initially Occurred</u>	<u>Occurred</u>		<u>(Yes, No, Partially)</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>

Section I - Internal Control and Compliance Material to the Financial Statements:

NONE

Section II - Internal Control and Compliance Material to Federal Awards:

NOT APPLICABLE

Section III - Management Letter:

NONE

WATER DISTRICT NO. 1 OF THE PARISH OF LAFOURCHE
STATE OF LOUISIANA

Current Year Findings, Recommendations and Corrective Action Plan
For the Year Ended June 30, 2007

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of</u>	
			<u>Contact</u>	<u>Anticipated Completion Date</u>

Section I - Internal Control and Compliance Material to the Financial Statements:

NONE

Section II - Internal Control and Compliance Material to Federal Awards:

NOT APPLICABLE

Section III - Management Letter:

NONE